

EXCHANGE

A NEWSLETTER FOR MEMBERS OF THE ONTARIO TEACHERS' PENSION PLAN

INTEREST RATES CHANGE
COMMUTED VALUE

page 3

Your statement of benefits

When can I retire? How much money will I get?

In the next several weeks or so, you'll receive your statement of benefits in the new format.

Although you'll find all the information you've seen in past years, we've added an estimate of your commuted value and made the statement easier to understand.

WHAT'S DIFFERENT

First, the explanatory notes are integrated with your personal information. This means the explanation that appears next to your personal information is specifically for you.

No more having to refer to a separate guidebook that covers a variety of possible scenarios.

We've also placed the most relevant information where you can easily find it. In a number of focus group sessions, teachers have told us they want to know when they can retire, and how much they can

expect to receive in pension income. We've placed this information on the first page of the statement.

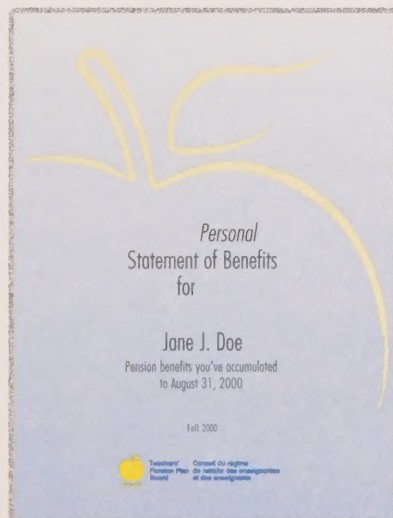
For teachers at mid-career and older, we also present pension estimates at various key dates in graph form. This will help teachers plan when to retire.

NEW THIS YEAR — COMMUTED VALUE

In most cases, we provide an estimate of the commuted value of your pension. If you quit teaching before you're eligible for an immediate pension, you can transfer the commuted value to a locked-in RRSP, but you can't access the money until you're 55. This is new information this year. (Please see, "Interest rates will affect commuted value," on page 3.)

FAQ

Questions?
Find answers
on page 5



SAME-SEX BENEFITS AS OF APRIL 1998

Recent amendments to the pension plan allow survivor pensions and pre-retirement death benefits for same-sex common-law partners as of April 23, 1998. The amendments change the effective date for same-sex survivor benefits from December 8, 1998.

The amendments also entitle same-sex partners of members who were already on pension as of April 23, 1998 to receive a survivor pension as long as the partner would have met certain requirements when the member retired.

Please see page 2

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- 2 How can the pension surplus be used?
- 4 More employers providing pension information more often
- 5 Statement of Benefits FAQs
- 6 Getting more from our investments
- 7 The RT Capital scandal... Could it happen here?



HAVE **Your** SAY...

"...Since the plan has been doing so well, can I invest my RRSPs with the Teachers' pension plan?"

S.G.

I'm afraid not, or at least not under the current rules. We invest the plan's assets to ensure there are funds to pay the pensions that have been promised to 150,000 elementary and secondary school teachers, 75,000 retired teachers and their survivors, and 90,000 former teachers with entitlements in the plan. However, this is something we're considering for the future if enough teachers are interested. Please send your comments to: comments@otpp.com.

"What are the possible uses of the present pension surplus? When will the decision regarding the use of the surplus be made?"


G.E.

The OTF will decide to spend the next \$6.2 billion to improve pension benefits, or reduce the contribution

rate, or create a reserve fund, or some combination of the three options.

The changes to plan benefits negotiated between the Ontario government and the OTF in April 1998, allowed the government to eliminate the original unfunded liability of \$8.4 billion and the OTF to introduce benefit improvements totalling \$2.2 billion, which included the 85-factor window. Under the agreement, the use of the next available \$6.2 billion is to be decided solely by the OTF.

When will all this happen? The funding valuation to determine the size of the surplus will be based on the plan as at January 1, 2001, and will likely be ready sometime in February. We expect the OTF to announce how they plan to allocate any available surplus up to \$6.2 billion early in the new year.


We will let members know as soon as we do. The details will be available on our Web site, by fax to the schools and in a special issue of *Exchange*. 

UPCOMING OTF RETIREMENT WORKSHOPS

Attend an OTF weekend workshop and you'll gain useful tips to help you plan for retirement. A team of pension benefit specialists from the Teachers' pension plan will be there to give an overview of the plan and to answer your pension

related questions in a private pre-arranged interview. For more information, call your local federation or association.

Workshop Schedule

London	November 17-18
Burlington	November 24-25
Toronto	January 19-20
Whitby	February 2-3
Mississauga	February 16-17
Windsor	April 6-7 

Same-sex benefits as of April 1998

From page 1

CALL US FIRST


Determining if your same-sex partner is eligible may be difficult so telephone us at (416) 226-2700, or toll free at 1-800-668-0105.

If a pensioner or teacher died since April 23, 1998, the same-sex partner may still be eligible for survivor benefits.

For pension plan purposes, a same-sex partner is defined as someone with whom you have lived in a conjugal relationship for at least three years (or less, if you are the parents of a child).

*Determining if your
same-sex partner
is eligible for benefits
may be difficult,
so call us.*

WHY THE APRIL DATE?

Previously, the date used to administer the benefit was the December 8, 1998 date of the OPSEU court decision in which the definition of spouse in the *Pension Benefits Act* was effectively changed to include same-sex common-law partners. The recent amendments to the pension plan recognizes the April 23, 1998 date of the Rosenberg court decision that, for the first time, allowed same-sex pension benefits under the *Income Tax Act*. 

Interest rates will affect commuted value

If you've accumulated at least two qualifying years of service, are under 55 and not yet eligible for an unreduced pension, your statement of benefits will contain an estimate of the commuted value of your pension. This is new information and understanding how it's calculated will help you plan for retirement if you decide to leave teaching before you're eligible to collect a pension.

WHAT IS COMMUTED VALUE?

It is the estimated lump-sum amount you would need today to replace your future pension. To take

the option of a commuted value transfer, you must quit teaching before you're eligible for an unreduced pension and the month before you turn 55. After the commuted value transfer, you can't access your money until age 55 and even then, it can only be used to provide income payable for life.

IT'S BASED ON CURRENT INTEREST RATES

The calculation for commuted value depends on a number of factors, including: your age, amount of your pension, your qualifying years and interest rates.

As interest rates change, the amount of the commuted value is inversely affected. So, if interest rates decrease, the amount of the commuted value increases. However, if interest rates increase, which is likely in the foreseeable future, the amount of the commuted value is adversely affected. Please see example below.

The commuted value of a deferred pension is calculated in accordance with the *Ontario Pension Benefits Act*. The prescribed method is embodied in the *Recommendations for the Computation of Transfer Values for Registered Pension Plans*, published by the Canadian Institute of Actuaries, the governing body of the actuarial profession. Actuaries are the only people who have the professional training to do this calculation.

How interest rates can impact the amount of your commuted value

Example: John is 53 years of age and has accumulated 28 years of credit. With an average salary of \$65,000, his commuted value this year, based on real interest rates of 4.25%, is \$458,000.

Assuming John continues to teach next year, changes in real interest rates will affect the amount of his commuted value.

	Real Interest rates*				
	4%	4.25%	4.5%	4.75%	5%
John's commuted value this year		\$458,000			
John's commuted value next year based on 54 years of age, 29 years of credit and no change to salary	\$534,000	\$522,000	\$510,000	\$499,000	\$487,000

* Real interest rates equal the nominal rate, minus the rate of inflation. For example, if you earn 7% on your money annually but inflation is 3%, the real rate of return is 4%.

If real interest rates drop to 4% next year, John will see his commuted value grow to \$534,000, an increase of \$76,000. However, if real interest rates rise to 4.5%, John's commuted value still grows, but only to \$510,000, an increase of \$52,000.

If John decides not to teach next year and waits a year to transfer his commuted value, it's quite possible that a sufficient rise in interest rates might actually result in a decrease to the amount of his commuted value.



Did you KNOW?

that the
DESIGNATED BENEFICIARY
is only entitled to survivor
benefits if you die **BEFORE**
you retire?

Your named beneficiary is eligible only if you do not have a spouse.

You can designate any person or incorporated organization to be your beneficiary in the event of death before you retire. This can be a parent, a friend, your children, or a charitable foundation.

The designated beneficiary receives a lump-sum payment of the commuted value of the pension you've accumulated after 1986. Your contributions plus interest before 1987 are refunded to your estate.

If you don't have an eligible spouse or children and don't designate a beneficiary, the entire death benefit is paid to your estate.

TIP If you designate a beneficiary, keep the information with us current. There have been instances where a partner in a former relationship became entitled to death benefits because the teacher had not changed the designated beneficiary. Unless you inform us otherwise, the designated beneficiary remains entitled to the benefit, even if the relationship ends before the death of the teacher.

Timely data leads to better benefit statement

More employers providing pension information more often

A growing number of employers have signed on to provide pension related information to us every month rather than annually.

The more frequent reporting system means information such as credit and salary are current and the pension estimates we provide will be up to date.

It also means that benefit statements are based on data to the end of the last school year, August 31, 2000. For teachers whose information is provided to us annually, the benefit statement is based on

information that is about a year old.

Already 30 employers, with a total of 60,000 teachers, are reporting their information monthly, and another eight employers are expected to sign on by the end of the year.

Employer services staff at the Teachers' pension plan began working with individual school boards to set up the frequent reporting system about four years ago. During the next several years, the program, which is voluntary for employers, is expected to report pension related information for virtually all teachers.

Employers reporting monthly

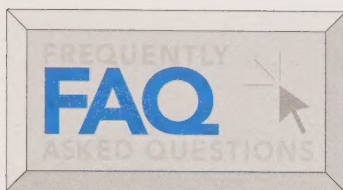
Appleby College
Avon Maitland D.S.B.
Brant Halidman Norfolk Catholic D.S.B.
Bruce-Grey Catholic D.S.B.
Dubreuilville RCSSB
Elmwood School
Halton D.S.B.
Hastings-Prince Edward D.S.B.
Havergal College
Huron-Perth Catholic D.S.B.
Lakehead D.S.B.
Limestone D.S.B.
London Catholic D.S.B.
Mine Centre D.S.B.
Near North D.S.B.
Nipissing-Parry Sound D.S.B.
Parry Sound D.S.B.
Peterborough Victoria
Northumberland & Clarington
Catholic D.S.B.
Rainbow D.S.B.

Rotary Centre School Authority
Simcoe D.S.B.
Simcoe Muskoka Catholic D.S.B.
Sudbury Catholic D.S.B.
Bishop Strachan
Toronto D.S.B.
Trillium Lakeheads D.S.B.
Wellington Catholic D.S.B.
Windsor Essex Catholic D.S.B.*
York Region D.S.B.
York Region Catholic D.S.B.

Soon to be reporting monthly

Algonquin & Lakeshore D.S.B.
Bluewater D.S.B.
Dufferin-Peel Catholic D.S.B.
Hamilton-Wentworth D.S.B.
Niagara D.S.B.
Niagara Catholic D.S.B.
Ottawa-Carleton Catholic D.S.B.
Thames Valley D.S.B.

* This is a recent addition and the data used for this year's benefit statement is still on an annual reporting basis.



STILL HAVE QUESTIONS AFTER REVIEWING YOUR ANNUAL STATEMENT OF BENEFITS? HERE ARE THE ANSWERS

My credit and qualifying years of service are different. Why?

Credit is used to determine the amount of your pension and is based on the actual time teaching. $[2\% \times \text{years of credit} \times \text{average best-five years' salary} = \text{Annual Pension}]$

Qualifying years are used to determine when you're eligible for an unreduced pension. You currently earn one qualifying year of service for every school year you work more than 10 days. $[\text{Your age plus qualifying years} = \text{Qualifying factor}]$ During the 85-factor window, you can retire with an unreduced pension when your qualifying factor is 85 or more.

My spouse's name does not appear as my beneficiary. Why not?

Your eligible spouse or dependent children will automatically receive survivor benefits. The beneficiary named on your statement is the person(s) you have chosen to receive benefits in the event that you die without a spouse before you retire. (Please see "Did you know?" on page 4.)

If I want to increase my automatic 60% survivor's pension, when do I need to apply?

You must apply at least two years before you go on pension. If you miss the deadline, you may still be approved if you pass a medical examination. The increase can be revoked right up until you go on pension.

To reduce it to 50%, you and your spouse must sign a *Spousal Waiver* form. This can only be done within the 12-month period before you go on pension and cannot be revoked once your pension begins. ☀

TEACHERS' CONDUCTING PHONE SURVEY

We've begun conducting monthly telephone surveys as one more way to help us measure and improve our service to you.

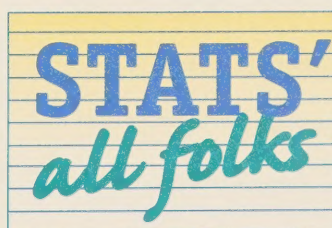
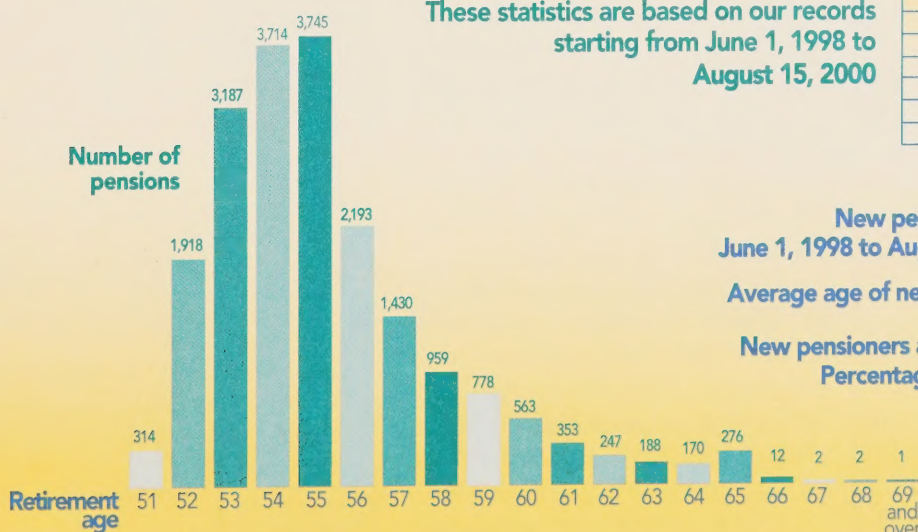
Convergys Marketing Research is the firm conducting the survey on our behalf. Each month they will telephone about 200 teachers and retired teachers to ask questions about their satisfaction with the service they received from the Teachers' pension plan. The survey takes about five minutes to complete and your answers are entirely confidential.

If you've contacted us recently, Convergys may survey you. We appreciate your time in evaluating our service.

In addition to the telephone survey, we also mail questionnaires to randomly selected teachers and retired teachers each month, and conduct a series of focus group sessions once a year. ☀

Retirement pensions during the 85-factor window

These statistics are based on our records
starting from June 1, 1998 to
August 15, 2000



New pensioners from
June 1, 1998 to August 15, 2000: 20,053

Average age of new pensioners: 55.79

New pensioners aged 53 to 56: 12,839
Percentage of the total: 64%



DUDLEY DOOMSAYER

“ With the shortage of qualified supply teachers, it's silly not to lift the restrictions on teaching after retirement. ”

Currently, retired teachers can teach to a maximum of 95 days per school year for each of the first three years they return to teaching, and 20 days per school year thereafter.

These limitations are stipulated in the pension plan. Any change to the limits requires an agreement between the Ontario government and the OTF.

We'd love to hear from you

Getting you more from the plan's investments

We're exploring an idea that may see some companies we invest with provide teachers and retired teachers with discounts and other special offers.

The initiative, which is still in its infancy, is being overseen by Russ Bruch, Vice-President, New Business Development. "This initiative is one way we can provide our members with a direct benefit from the plan's investments and operations," says Bruch. "Of course, in our dealings with these companies, member information remains confidential and entirely under the control of the Teachers' pension plan."



Bruch

The Teachers' pension plan will facilitate only those offerings that meet our criteria. These criteria include such items as the reputation of the company, the benefits of the offer for teachers and the assurance that a teacher will deal directly with the company should they decide to take advantage of the company's offer.

HERE'S HOW IT WILL LIKELY WORK

The initiative would essentially work like the following hypothetical example: The Acme Company, a national retailer we've invested with, wants to entice more teachers to shop in their stores. To do this, they have devised a marketing strategy that provides teachers with special discounts on a variety of products.

Once we approve the promotional material, we control the mailing. The

Acme Company never sees the list and member information remains confidential.

The Teachers' pension plan receives a fee for providing such access. This fee will be used to offset the costs of administering the pension plan.

HIGHLIGHTS

- Special discount offers and promotional materials specifically for teachers
- Printed material is sent to your home
- Member information remains confidential

We'd love to hear from you about this, so please complete the following question or send your comments to: comments@otpp.com.

EXPRESS yourself

How would **you** respond to the following statement?

'In general, I believe it's a good idea for the Teachers' pension plan to facilitate special mailings to teachers as long as the company provides a direct benefit to teachers and helps to reduce the plan's administrative costs.'

If you **AGREE** with the statement, send us an e-mail at: agree@otpp.com.

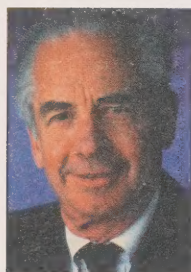
If you **DISAGREE** with the statement, send us an e-mail at: disagree@otpp.com.

Investment process, self-policing values help ensure plan's ethical behaviour

During the summer, investment managers at RT Capital were found to have violated securities regulations.

Could an investment manager at Teachers' artificially inflate the price of a stock or violate securities regulations without being caught? Not likely.

As part of his speech to the OTF Board of Governors on August 23, 2000, Robert Korthals, Chairman of the Ontario Teachers' Pension Plan Board, explained why. The following has been excerpted from his speech.



Korthals

...Integrity is a self-policing responsibility. If we pick senior executives who believe in good ethics as a business priority ...and they hire staff that share their views ...an ethical culture will emerge.

That is what has happened at the pension board under the diligent leadership of Claude Lamoureux, Bob Bertram and Al Reesor.

They have set the tone. Bay Street cowboys who are in the investment business for the adrenaline rush need not apply.

CHECKS AND BALANCES

...Teachers' has several segmented processes in place that help to prevent a breakdown of the positive ethical environment.

For example, a portfolio manager decides what stocks to buy and in what price range. But the decision on when to buy those stocks and at what exact price is made by a trader. There is a clear separation of duties.

Furthermore, each stock transaction is measured and thus reviewed at the end of each day. The finance department accounts for and reconciles each transaction for settlement. This provides a further

check on trading activities.

...On top of that, most of our portfolio managers and traders receive performance incentives based on four-year results. This makes short-term misbehaving even less beneficial to them.

CORPORATE CULTURE BEST PROTECTION

The biggest protection against any unethical behavior is the strength of our corporate culture with its emphasis on self-policing values.

This philosophy is evident in our policing of what is called "front running." This term refers to an employee having advance inside information that will materially affect a company's share price and trading for his or her own benefit on that information.

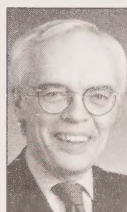
Every time an employee of the investment department, or an officer or director wants to make a personal trade, he or she has to get permission from the legal department. A hot line service provides an answer within five to 10 minutes.

As you can appreciate, employees

receive information from time to time that will materially affect the stock's price. They are prohibited from trading on this information, and if the information is material, that is, it's more than a rumor and could affect the stock price, the stock in question goes on our restricted list.

*"Bay Street cowboys
who are in the
investment business
for the adrenaline rush
need not apply."*

*Robert Korthals,
Chair of the Board,
Ontario Teachers' Pension Plan Board*



Lamoureux



Bertram



Reesor

So do stocks on which we have inside information because we are involved in a confidential transaction. At any given time, there are about 10 stocks on the restricted list.

It is extremely unlikely that the pension board will ever be involved in an ethical dispute of a magnitude to cause embarrassment to the teachers of Ontario.

The best asset we can create is a pension board that is recognized as honest, trustworthy and fair. 🍌

HEAR MORE OF THE SPEECH
at www.otpp.com.

FINER points

DEADLINE REMINDER, PRE-84 SUMMER SCHOOL, NIGHT SCHOOL

If you taught summer school, night school or adult day school before September 1984 and were already employed less than full time, you may be eligible to contribute to the pension plan for the time you taught. The deadline for applications is December 31, 2000.

YOUR PENSION UNCHANGED BY LEGAL STRIKE

Your pension is not affected during a legal strike or lockout. However, there is no provision in the plan to cover work stoppages other than a legal strike or lockout. In such instances, you lose the pension credit and are ineligible to contribute to your pension for the absence.

TAUGHT AT THE ROM?

If you were employed at the Royal Ontario Museum between 1985 and 2000 and held a valid teaching certificate, you may be eligible to contribute to the pension plan for the time you were employed. Please telephone us before December 31, 2000.

ON LEAVE TO A UNIVERSITY?

If you're on an employer-approved leave of absence and are working at a faculty of education in Ontario, the pension plan requires that you continue to contribute to the plan for up to five years while working at the university. Recently, there has been confusion concerning

pension contributions in such instances. It's a good idea to check with the university to ensure that they are deducting your pension contributions, and making the matching contributions on your behalf.

FOR LEAVES OUTSIDE OF CANADA

If you're on an employer-approved leave of absence and your employer had a role in arranging the foreign employment, the *Income Tax Act* requires that the purchase of pension credit be made during the leave.

If you recently contacted us and were told you were ineligible to buy credit because you didn't pay on going, please telephone us. ☀

EXCHANGE

is published for members of the Ontario Teachers' Pension Plan.

We appreciate your comments about anything you read in *Exchange*. Please contact John Cappelletti at (416) 730-5351 or 1-877-812-7989, or E-mail: john_cappelletti@otpp.com

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This newsletter does not create any right to benefits. Your entitlements and those of your survivors are and will be governed by the language of the pension plan text. The information contained in this newsletter is not intended to be relied upon in relation to any particular circumstance.

Ce bulletin est disponible
également en français.



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MOVING?

**DON'T FORGET TO SEND US
YOUR NEW ADDRESS**

All our publications are sent to you at your home address, including information of personal interest to you, such as your annual statement of benefits.

If we don't know where you are, we can't reach you!

NAME _____

SIN _____

ADDRESS _____

